



**Mike Kreidler**  
**Washington Insurance**  
**Commissioner**

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*Web Page: <http://www.insurance.wa.gov>*

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**FOR IMMEDIATE RELEASE**

## **INSURANCE AGENTS REMINDED TO DOUBLECHECK 'SECURITIES' OFFERS**

**OLYMPIA, Wash. --** State Insurance Commissioner Mike Kreidler says he is reminding agents and brokers to double-check when they offer their own investments or are offered the chance to sell high-return securities-type products like promissory notes, high-yield or prime-bank programs, or viatical settlement investments.

"Insurance agents are sometimes recruited with offers of fat sales commissions and other lures -- and the offer may not include the fact that insurance agents are not licensed to deal in these sales," Kreidler said.

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In addition, the products themselves may prove to be bogus, especially if the offers sound too good to be true.

He noted that the Securities and Exchange Commission (SEC) joined with state agencies in mid-2000 to crack down on promissory-note scams that were defrauding investors out of millions of dollars. Thousands of investors were misled by promises of unrealistically high returns and investments "guaranteed" by insurance companies, or backed by surety bonds or other collateral.

The SEC filed 21 enforcement actions for sale of promissory notes, and 18 involved participation by insurance agents. Securities regulators in 28 states, including Washington, took action against hundreds of individuals and companies. Again, insurance agents were named in the majority of the actions.

Washington cases involving agents included:

- In 1997, a former Washington insurance agent, Philip E. Harmon, was sentenced in the Seattle U.S. District Court to an eight-year prison term for sales of promissory notes to several hundred investors in Washington and other states.
- And just this year, a Renton insurance agent, Jerry M. King, pleaded guilty in U.S. District Court in Seattle to running a promissory note scam through his businesses, Golden Age Planning and Wishbone Properties, taking investors for up to \$10 million over nine years.

Kreidler noted that agents who become involved in those sales are not only risking regulatory discipline. Even if no regulatory or law enforcement charges are filed, the agents also could be exposing themselves to personal civil liability if the sales turn out to involve violations of state or federal securities law.

"Ultimately, an agent is responsible for knowing what he or she is selling and ensuring that any sales of securities are made in compliance with federal and state law," he said. "Relying on the word of a promoter is a mistake."

Kreidler noted that the Office of the Insurance Commissioner does license viatical settlement companies and viatical settlement agents. However, he noted that even viatical settlement agents are not authorized to deal with the securities side of those transactions without the approval of state and federal securities regulators.

Viatical settlements involve the discounted purchase of life insurance benefits, usually in cases in which the life insurance policy is among the few assets owned by a person with a terminal illness. The policy is then resold by the viatical firm as an investment to be collected in full when the person dies.

The Securities Division of the State Department of Financial Institutions has charged Washington insurance agents with violating state securities laws in connection with the sale of viatical settlement investments to state residents in several different administrative actions. Securities Division Director Deborah Bortner has announced that more actions against state insurance agents selling these unregistered investment products are forthcoming. The Securities Division website may be visited at:

<http://www.wa.gov/dfi/securities>

Agents or brokers with questions about the legality of products should call the Consumer Protection office of the Insurance Commissioner at (360) 438-7631 or with the Department of Financial Institutions at (360) 902-8760.